

Minneapolis Community Development Agency

Request for City Council Action

Date: October 17, 2002

To: Council Member Lisa Goodman, Community Development Committee

Refer to: No referrals

Prepared by: Jerry LePage, Project Coordinator, Phone 612-673-5240

Approved by: Chuck Lutz, MCDA Interim Executive Director _____

Subject: Catholic Eldercare at St. Hedwig's Senior Assisted-Living Housing Project: Public Hearing for the Preliminary and Final Approval of up to \$8,000,000 in 501(c)(3) Tax-Exempt Multi-family Housing Revenue Bonds

Previous Directives: None.

Ward: Third

Neighborhood Group Notification: On June 20, 2002, the Concerned Citizens of Marshall Terrace neighborhood organization approved the St. Hedwig housing proposal and has also been informed in writing of the proposed housing revenue bond financing.

Consistency with *Building a City That Works*: Goal 2: Ensure that an array of housing choices exists to meet the needs of our current residents and attract new residents to the City; Objective I: Support the development of affordable and mixed-income senior rental housing.

Comprehensive Plan Compliance: Policy 35: Within the constraints imposed by state and federal regulations, the City should continue to sell tax-exempt revenue bonds to provide below market rate mortgage and housing improvement financing.

Zoning Code Compliance: On September 23, 2002, the Planning Commission approved the rezoning of the site from R2B to R4 and also approved the requested variances, a conditional use permit, and the Site Plan Review for the project.

Impact on MCDA Budget: (Check those that apply)

- ☐ No financial impact
- ☐ Action requires an appropriation increase to the MCDA Budget
- ☐ Action provides increased revenue for appropriation increase

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☐ Action requires use of contingency or reserves
☒ Other financial impact: Annual bond fees will be collected when the bonds are issued.

Living Wage / Business Subsidy: NA

Job Linkage: NA

Affirmative Action Compliance: Will comply.

CITY COUNCIL RECOMMENDATION: The Interim Executive Director recommends that the City Council adopt the attached resolution granting preliminary and final approval of up to \$ 8,000,000 in tax exempt Multifamily Housing Revenue Bonds for the Catholic Eldercare at St. Hedwig's Senior Assisted-Living Rental Housing project. Summary publication of the Resolution is also recommended.

Background

Catholic Eldercare, a private non-profit corporation, is planning two new affordable housing developments in the Marshall Terrace neighborhood in Northeast Minneapolis. These developments will be located on the site of St. Hedwig's Catholic Church, which is bounded on the south by 29th Avenue NE, on the west by Randolph Street NE, on the north by residential housing, and on the east by Grand Street NE (see attached zoning map, **Exhibit A**). These facilities will be for low-income seniors and will include a 35-unit supportive-housing component for seniors that can live independently and 72-unit assisted-living component for those that need assistance with daily living.

According to Catholic Eldercare, there is a great need for affordable housing for seniors in this area and the number of seniors in Minnesota is expected to increase by 200% in the next thirty years. One of four Minnesotans will be over the age of 65 and the number of seniors over 100 will triple. The proposed project will allow seniors to live independently, with services and aid on hand if needed, and will provide care for everyone regardless of their income levels.

Catholic Eldercare is planning to finance the 35-unit supportive-housing component with funds from the HUD 202 Program and with foundation and corporate grants, but has submitted a request for tax exempt revenue bond financing to finance the 72-unit assisted-living component. Catholic Eldercare will also be receiving a deferred loan from the Hennepin County Affordable Housing Investment Fund and has secured project-based Section 8 assistance for 25 of the 72 units (35% of the total assisted-living units). This means that residents who meet income guidelines will pay no more than 30% of their income for the housing portion of the facility costs. Upon completion, the assisted-living project will generate approximately \$108,000 annually in real estate taxes.

The supportive-living and assisted-living buildings will be linked by a “Village Street” and porch area, and share common space amenities. The Village Street will also connect to the St. Hedwig’s church building, which is being expanded in conjunction with the housing developments (see attached **Site Plan, Exhibit B**). The Church has made a donation of nearly two acres on which the facilities will be located. Miller Hanson Partners, the project architect, is currently finalizing design plans of the supportive-living building (**Exhibit C**), the assisted-living building (**Exhibit D**), and the Church expansion (**Exhibit E**). In addition to the Village Street, common areas will include a dining room, activities and assembly spaces, meeting & party rooms, health care spaces (including a whirlpool room), a theater, coffee and gift shop, beauty shop, and wood shop.

The St. Hedwig site now contains several older structures that are used by the church. The St. Hedwig church building and the other structures were built between 1919 and 1924. The church building will remain but the structures that are identified for demolition have extensive structural damage and also contain asbestos. With full support of the church, these structures will be demolished, and the church will add a priest’s residents and meeting rooms to its church building. Catholic Eldercare has submitted the proposed demolitions to the State Historic Preservation Office (SHPO), which does not seem have any issues with these demolitions. SHPO may conclude the church has historic significance and then will need to evaluate if the proposed addition to the church and the new housing construction have a significant impact. The Minneapolis Heritage Preservation Commission will also be reviewing the demolition permit requests.

Another aspect of the St. Hedwig housing project is the commitment by the Greater Minneapolis Metropolitan Housing Corporation (GMMHC) to rehabilitate homes that seniors move out of to reside at the proposed facilities. GMMHC will update these homes so they can be made available for sale to families.

Housing Revenue Bond Information

Catholic Eldercare Community Foundation (CECF) is a Minnesota nonprofit corporation and is tax exempt under IRS Section 501(c)(3). CECF was organized in 1992 exclusively for charitable and benevolent purposes, including the provision of nursing and health care for the elderly, and currently operates the following facilities and programs at its 817 Main Street location: (1) a 150-bed skilled nursing facility for the elderly; (2) a 52-unit assisted living facility; (3) an adult day care program for approximately 39 people per day; and (4) an adult day care home health service to over 250 elderly people in their homes. In a separate City Council report, Catholic Eldercare is also requesting a refunding of the outstanding bonds that were issued for its facilities at 817 Main Street NE.

Catholic Eldercare has submitted an application to the City for tax-exempt housing revenue bonds for the St. Hedwig’s Assisted-Living project. The developer is requesting \$8,000,000 in housing revenue bonds that it will use as its first mortgage financing. These bonds will be amortized over a 25-year term with an expected AA- rating, which

is Wells Fargo's rating on long term debt. The bonds will be backed with a 7-year Letter of Credit for the amount of the bonds from Wells Fargo Bank, and structured as weekly floating rate instruments. The development entity for the St. Hedwig's Assisted-Living project will be Catholic Eldercare Community Services II, which is a limited liability corporation that will have the Catholic Eldercare Community Foundation as the parent or controlling entity.

The sources and uses of the project are listed below.

<u>Sources:</u>		<u>Uses:</u>	
HRB proceeds	\$ 8,000,000	Land cost & site costs	\$ 380,000
Equity	550,000	Construction cost	7,272,356
Hennepin County funds	600,000	Contingency	169,309
Donations (individual & corporate/foundation)	575,000	Architect/engineering	361,745
		Legal cost	15,000
		Marketing cost	108,000
		Furniture, fixtures, & equipment	300,000
		Capitalized interest	185,090
		Finance & issuance costs	303,500
		Working capital/pre-opening salaries	280,000
		Developer fee	350,000
Totals	\$ 9,725,000		\$ 9,725,000

The equity contribution of \$550,000 consists of the value of the land donated by St. Hedwig Church (\$350,000) and part of the developer fee that Catholic Eldercare will leave in the project (\$200,000).

The composition and rent levels for the 72 assisted-living units are shown below. The total monthly unit charges include a service fee of \$1,050 per unit.

<u>Unit Type</u>	<u>% of Median</u>	<u># Units</u>	<u>Square Feet</u>	<u>Rent</u>	<u>Service Fee</u>	<u>Monthly Charge</u>
Studio	60%	13	495	\$ 790	\$1,050	\$1,840
Studio (Section 8)	30%	5	495	575	1,050	1,625
Studio	60%	2	480	750	1,050	1,800
Studio (Section 8)	30%	10	480	575	1,050	1,625
One Bedroom	80%	6	602	1,180	1,050	2,230
One Bedroom	80%	12	573	1,075	1,050	2,125
One Bedroom	60%	14	525	900	1,050	1,950
One Bd. (Section 8)	30%	10	525	659	1,050	1,709
Total units		72				

The St. Hedwig's Assisted Living project is in a non-impacted area and 25 of its 72 units (35%) will be affordable at 30% of median, due to the use of Section 8, which exceeds the minimum requirements of the City Affordable Housing policy. The project will also

have 29 units affordable at 60% of median and 18 at 80% of median. The facility will include the following features/amenities:

- Heating and cooling will be provided by a Magic Pak system, which enables residents to be in control of the temperature of their own units.
- The assisted-living concept is for seniors who are frail or may have minor confusion and require some assistance with the activities of daily living. These include bathing, medication reminders, meals, housekeeping, and laundry.
- The facility will provide the services, supervision, and medical assistance required by many elderly persons, while at the same time maintaining their independence and privacy to the maximum extent possible.

The Minneapolis Planning Department has reviewed this project and the proposed use of housing revenue bonds, and a copy of the Planning Department's comments is attached as **Exhibit F**.

HRB Entitlement

The proposed issuance of \$8,000,000 in 501(c)(3) tax exempt bonds does not count against the City's HRB entitlement cap.

Underwriter
Wells Fargo Bank

Bond Counsel
Faegre & Benson

Council Member Informed
Yes, Ward 3.

Project Timetable: Assuming approval of the proposed housing revenue bonds by the full Council on October 25th, Catholic Eldercare anticipates closing and starting construction of the Assisted-Living Rental Housing Project in November 2002.

Adopting a housing program for the St. Hedwig's Assisted Living Project; and giving preliminary and final approval to the issuance of revenue bonds thereunder

WHEREAS, pursuant to the Minnesota Municipal Housing Act, Minnesota Statutes, Chapter 462C (the "Act") a city is authorized to undertake the financing of multifamily housing for persons of low and moderate income, and to authorize its housing and redevelopment authority to act on its behalf; and

WHEREAS, the City Council (the "City Council") of the City of Minneapolis (the "City") has prepared the Housing Plan for Local Housing for the City of Minneapolis, Minnesota, revised June, 1984 (the "Plan") which Plan was adopted pursuant to the Act on July 13, 1984; and

WHEREAS, the Act requires adoption of a housing finance program after a public hearing held thereon for which notice was published in a newspaper of general circulation in the City at least fifteen (15) days in advance of the hearing; and

WHEREAS, Catholic Eldercare Community Services II, a Minnesota nonprofit corporation (the "Owner"), has proposed a program (the "Program") for the issuance of bonds to finance the construction of a 72-unit multifamily rental facility to be located at 129 29th Avenue NE in the City (the "Project"), to be owned and operated by the Owner; and

WHEREAS, the cost of the Program is presently estimated to be \$8,000,000; and

WHEREAS, the City on October 17, 2002 did conduct a public hearing on the Program, following publication of notice as required by the Act; and

WHEREAS, the Program was submitted to the Metropolitan Council on or prior to the date of publication of notice of the public hearing on such Program, and the Metropolitan Council has been afforded an opportunity to present comments at the public hearing, all as required by the Act; and

WHEREAS, the City desires to facilitate the development of rental housing within the community, encourage the preservation of affordable housing opportunities for residents of the City, encourage the preservation of housing facilities designed for occupancy by elderly persons and persons of low or moderate income within the boundaries of the City, and the maintenance of affordable units in the Project would assist the City in achieving these objectives; and

WHEREAS, the Program will result in the provision of decent, safe and sanitary rental housing opportunities to persons within the community; and

WHEREAS, this City Council has been advised that conventional, commercial financing to pay the capital costs of the Program is available only on a limited basis and at such high costs of borrowing that the economic feasibility of operating the Project would be significantly reduced, but the City Council has been further advised that with the aid of municipal financing and resulting low borrowing costs, the Project is economically more feasible; and

WHEREAS, the staff of the City considers the proposed Program to be in furtherance of the housing policies of the State of Minnesota as stated in the Act and of the City as stated in the Plan;

WHEREAS, the Program is to be financed from the proceeds of Variable Rate Demand Multifamily Housing Revenue Bonds (St. Hedwig's Assisted Living Project), Series 2002 (the "Bonds"), in the aggregate principal amount not to exceed \$8,000,000, to be issued by the City, and the revenues from the Project (as defined below) shall be pledged for the security of and payment for the Bonds (except as may be otherwise set forth in the Indenture hereinafter referred to); and

WHEREAS, the Bond proceeds will be used by the City to provide for funding of a loan (the "Loan") to the Owner to finance the acquisition and construction of the Project, and payment of related costs; and

WHEREAS, the Bonds will be issued under an Indenture of Trust (the "Indenture"), and the proceeds of the Bonds will be loaned to the Owner pursuant to a Loan Agreement (the "Loan Agreement"), and the Bonds will be secured by a pledge of all rights and revenues derived by the City from the Loan Agreement (except certain retained rights of the City) and by an irrevocable, direct pay letter of credit to be issued by Wells Fargo Bank, National Association, and said Bonds and the interest on said Bonds shall be payable solely from the revenues pledged therefor and the Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation nor give rise to a pecuniary liability of the City or a charge against its general credit or assets and shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City other than the City's interest in said Project; and

WHEREAS, forms of the following documents (including the exhibits referred to therein) have been submitted to the City:

a. The Indenture to be made and entered into between the City and the trustee named therein (the "Trustee"), providing for the issuance of the Bonds, prescribing the form thereof, pledging the trust estate described therein for the security of the Bonds, and setting forth proposed recitals, covenants and agreements by the parties with respect thereto;

b. The Loan Agreement to be made and entered into between the City and the Owner, providing for the loan of the proceeds of the Bonds to the Owner, and for the repayment of such loan;

c. The Bond Purchase Agreement, to be dated as of the date of execution thereof (the “Bond Purchase Agreement”), by and among the City, the Owner and Wells Fargo Brokerage Services, LLC (the “Underwriter”) providing for the purchase of the Bonds by the Underwriter; and

d. A Preliminary Official Statement (the “Preliminary Official Statement”).

The agreements described and referred to in paragraphs a through c above shall hereinafter sometimes be referred to collectively as the “Agreements.”

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

That it is hereby found, determined and declared that:

a. The preservation of the quality of life in the City is dependent upon the maintenance, provision, and preservation of an adequate housing stock which is affordable to persons and families of low or moderate income, that accomplishing this is a public purpose, and that many would-be providers of housing units in the City are either unable to afford mortgage credit at present market rates of interest or are unable to obtain mortgage credit because the mortgage credit market is severely restricted;

b. The development and implementation of the Program, and the issuance and sale of the Bonds by the City, and the execution and delivery of the Agreements and the performance of all covenants and agreements of the City contained therein and of all other acts and things required under the Constitution and Laws of the State of Minnesota to make the Agreements and the Bonds valid and binding obligations of the City in accordance with their terms, are authorized by the Act;

c. The implementation of the Program for the purposes and in the manner contemplated by the Agreements conforms or will conform to all pertinent statutes, regulations and ordinances of the State of Minnesota and the City;

d. It is desirable that the Bonds in the principal amount not to exceed \$8,000,000 be issued by the City, on the terms set forth in the Indenture and the Bond Purchase Agreement;

e. The payments required or provided for by the Agreements are intended to produce income and revenues sufficient to provide for the payment when due of principal of and interest on all Bonds issued under the Indenture, and payments are required to be made for such expenses of, among other things, administration of the Program, as will be necessary to protect the interests of the City and the Trustee; and

f. Pursuant to the provisions of the Act, and as provided in the Agreements, the Bonds shall be retired solely from the revenues of the Project.

Be It Further Resolved that the Agreements in substantially the forms submitted to the City at this meeting are hereby approved. Such of the documents as require the execution of the City are hereby authorized and directed to be executed or accepted, as the case may be, and delivered in the name and on behalf of the City by its Mayor, City Clerk and Finance Officer upon execution thereof by the parties thereto as appropriate. The Bonds and the Agreements shall be executed and delivered as provided therein. Copies of all the documents necessary for the consummation of the transactions described herein and in the Agreements shall be delivered, filed and recorded as provided herein and in the Agreements.

Be It Further Resolved that the form and terms of the Agreements may be varied prior to execution and delivery by the parties thereto, provided that any such variance shall not be, in the opinion of the City's legal counsel and the Mayor, materially adverse to the interests of the City. The execution and delivery of the Agreements as provided above shall be

conclusive evidence of the determination that any such variance was not materially adverse to the interests of the City.

Be It Further Resolved that in anticipation of the collection of revenues of the Project, there shall be issued forthwith the Bonds, in the aggregate principal amount not to exceed \$8,000,000, which issuance is approved, substantially in the forms and upon the terms set forth in the Indenture, the terms of which are for this purpose incorporated in this resolution and made a part hereof as if fully set forth herein. The Bonds shall be dated as of the date and shall mature on the dates (subject to redemption on such earlier dates as provided in the Indenture), bear interest and be payable at the rates, all determined as set forth in the Indenture. The City may at its option issue additional bonds at a later date to be used to pay or reimburse costs of the Project not paid from the proceeds of the Bonds, in a principal amount not to exceed the amount set forth in the Program.

Be It Further Resolved that the Program is hereby adopted and all actions of the members, employees and staff of the City heretofore taken in furtherance of the Program are hereby approved, ratified and confirmed.

Be It Further Resolved that the sale of said Bonds to the Underwriter to be determined is hereby approved, and the Bonds are hereby directed to be sold to the Underwriter, upon the terms and conditions set forth in the Bond Purchase Agreement. The Mayor, City Clerk and Finance Officer of the City are hereby authorized and directed to prepare and execute by manual or facsimile signature the Bonds as described in the Indenture and to deliver them to the Trustee (which is herein designated as the authenticating agent under Minnesota Statutes, Section 475.55) for authentication and delivery to the Original Purchaser, together with a certified copy of this resolution, and the other documents required by the Indenture.

Be It Further Resolved that the Mayor, City Clerk, Finance Officer and other officers of the City are authorized and directed to prepare and furnish when the Bonds are issued, certified copies of all proceedings and records of the City relating to the Bonds and such other affidavits and certificates (including but not limited to those required by bond counsel) as may be required to show the facts relating to the legality, tax exemption and marketability of the Bonds as such facts appear from the books and records in said officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the City as to the truth of all statements made by the City and contained therein. The Mayor, City Clerk, Finance Officer and said officers are further authorized to execute such additional documents as shall be determined by the Mayor to be necessary and desirable to provide for the issuance of the Bonds.

Be It Further Resolved that the Mayor, City Clerk, Finance Officer and other officers of the Issuer consent to the distribution of the Preliminary Official Statement relating to the Bonds, substantially in the form on file with the Issuer. The Mayor, City Clerk, Finance Officer and said officers further consent to the use by the Underwriter in connection with the sale of the Bonds of a final Official Statement, substantially in the form of the Preliminary Official Statement described above. The Preliminary Official Statement and the Official Statement are the sole materials consented to by the Mayor, City Clerk, Finance Officer and said officers for use in connection with the offer and sale of the Bonds. The Mayor, City Clerk, Finance Officer and said officers have not participated in the preparation thereof, have not made any independent investigation of the information contained therein and shall have no liability in connection with the contents of or use of such offering materials.

Be It Further Resolved that all covenants, stipulations, obligations and agreements of the City contained in this resolution and the aforementioned documents shall be deemed to be the covenants, stipulations, obligations and agreements of the City to the full extent authorized or permitted by law, and all such covenants, stipulations, obligations and agreements shall be binding upon the City. Except as otherwise provided in this resolution, all rights, powers and privileges conferred and duties and liabilities imposed upon the City by the provisions of this resolution or of the aforementioned documents shall be exercised or performed by the City or by such members of the City, or such officers, board, body or agency thereof as may be required or authorized by law to exercise such powers and to perform such duties.

No covenant, stipulation, obligation or agreement herein contained or contained in the aforementioned documents shall be deemed to be a covenant, stipulation, obligation or agreement of any member of the City, or any officer, agent or employee of the City in that person's individual capacity, and neither the City Council nor any officer or employee executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

No provision, covenant or agreement contained in the aforementioned documents, the Bonds or in any other document related to the Bonds, and no obligation therein or herein imposed upon the City or the breach thereof, shall constitute or give rise to any pecuniary liability of the City or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants and representations set forth in such documents, the City has not obligated itself to pay or remit any funds or revenues, other than funds and revenues derived from the Project or the proceeds of the Bonds which are to be applied to the payment

of the Bonds, as provided therein and in the Indenture. The Bonds shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property or funds of the City except the revenue and proceeds pledged to the payment thereof, nor shall the City be subject to any liability thereon. The holders of the Bonds shall never have the right to compel any exercise of the taxing power of the City to pay the outstanding principal of the Bonds or the interest thereon, or to enforce payment thereof against any property of the City. The Bonds shall recite in substance that the Bonds, including the interest thereon, are payable solely from the revenues and proceeds pledged to the payment thereof. The Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation.

Be It Further Resolved that except as herein otherwise expressly provided, nothing in this resolution or in the aforementioned documents expressed or implied is intended or shall be construed to confer upon any person or firm or corporation, other than the City or any holder of the Bonds issued under the provisions of this resolution, any right, remedy or claim, legal or equitable, under and by reason of this resolution or any provision hereof, this resolution, the aforementioned documents and all of their provisions being intended to be and being for the sole and exclusive benefit of the City and any holder from time to time of the Bonds issued under the provisions of this resolution.

Be It Further Resolved that in case any one or more of the provisions of this resolution, or of the aforementioned documents, or of the Bonds issued hereunder shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this resolution, or of the aforementioned documents, or of the Bonds, but this resolution, the aforementioned documents, and the Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein.

Be It Further Resolved that the Bonds, when executed and delivered, shall contain a recital that they are issued pursuant to the Act, and such recital shall be conclusive evidence of the validity of the Bonds and the regularity of the issuance thereof, and that all acts, conditions and things required by the laws of the State of Minnesota relating to the adoption of this resolution, to the issuance of the Bonds and to the execution of the aforementioned documents to happen, exist and be performed precedent to and in the enactment of this resolution, and precedent to issuance of the Bonds and precedent to the execution of the aforementioned documents have happened, exist and have been performed as so required by law.

Be It Further Resolved that in the event any of the officers of the City authorized to execute documents on behalf of the City under this resolution shall have resigned or shall for any reason be unable to do so, any member of the City, or officer of the City, is hereby directed and authorized to do so on behalf of the City, with the same effect as if executed by the officer authorized to do so in this resolution.

Be It Further Resolved that this Resolution shall take effect upon publication.